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RUEHDS/AMEMBASSY ADDIS ABABA 2915
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RUEHBY/AMEMBASSY CANBERRA 2180
RUEHDK/AMEMBASSY DAKAR 2545
RUEHKM/AMEMBASSY KAMPALA 2963
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UNCLAS SECTION 01 OF 03 HARARE 000356

AF/S FOR B. WALCH
ADDIS ABABA FOR USAU
ADDIS ABABA FOR ACSS
NSC FOR SENIOR AFRICA DIRECTOR
STATE PASS TO USAID FOR L.DOBBS AND J. HARMON
COMMERCE FOR ROBERT TELCHIN

SIPDIS

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SUBJECT: ZIM NOTES 04-30-2009

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1. SUMMARY

Topics of the week:

- Continuing Stalemate...
- Farm Invasions Decreasing...
- MDC Targets Gono...
- Teachers Pledge to Strike...
- The Herald Attacks Eddie Cross...
- U.S. Volunteer Surgical Team Arrives...
- HIFA Enlightens Harare Again...
- Dutch Farmers Win Legal Battle over Farm Seizures...
- Sugar Crop Falls Further; no Exports to U.S....
- Food Prices Continue To Fall...
- Dollarization Sees Return Of Credit Facilities...
- Enthusiastic Response to Counterfeit Detection Training...

On the Political/Social Front

1.2. Continuing Stalemate... Principals Robert Mugabe, Morgan Tsvangirai and Arthur Mutambara have met five times in the last two weeks to deal with outstanding issues. While agreement has reportedly been reached on appointment of governors, permanent secretaries, and ambassadors, a number of important issues remain unresolved. These include: continuance in office of Reserve Bank of Zimbabwe Governor Gideon Gono and Attorney General Johannes Tomana who were appointed by Mugabe in violation of the September 15 Inter-Party Agreement; the stripping by Mugabe of portfolios from Minister of Information and Communications Technology Nelson Chamisa; refusal of Mugabe to swear in Roy Bennett as Deputy Minister of Agriculture; continuing farm invasions and disruptions; and the re-arrest of three MDC officials after a judge had ordered them released on bail.

¶3. Tsvangirai's honeymoon period is coming to an end and there is growing impatience on the part of MDC officials and civil society to move ahead. The lead editorial in this week's Zimbabwe Independent read, "Progress on reforms much too slow." At an MDC ministerial caucus last week, a number of ministers, led by Chamisa, called on Tsvangirai to become more active in seeking resolution of these issues. MDC sources have told us that if no significant progress is made at the next principals meeting on Monday, Tsvangirai will hold a press conference to place the blame on Mugabe and will then appeal to SADC and the AU, as guarantors of the Agreement, to address Mugabe's intransigence.

¶4. Farm Invasions Decreasing... Trevor Gifford, president of the Commercial Farmers' Union, told the Ambassador today that farm invasions and disruptions, while continuing, have significantly decreased. Gifford also said he learned that Deputy Prime Minister Arthur Mutambara, who led a ministerial delegation last week to investigate the problem, tabled a report in Cabinet this week that forcefully described the problem and placed responsibility on the police for failing to deal with unlawful activity by those seeking to take over farms or disrupt farm activities. Cabinet, which acts by consensus, refused to take action to attempt to end these unlawful activities and referred the matter to the principals.

¶5. MDC Targets Gono... In last week's cabinet meeting, Minister of Q5. MDC Targets Gono... In last week's cabinet meeting, Minister of Finance Tendai Biti, backed by several ZANU-PF ministers allied to the Mujuru faction, reportedly called for an investigation into Gono's malfeasance at the RBZ. Other ZANU-PF ministers countered that Biti was essentially trying to investigate Mugabe. After heated argument, Biti's effort failed. Separately, Tsvangirai met with Gono to attempt to convince him to step down. The MDC's next step will be to have the House of Assembly authorize a committee

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investigation of Gono.

¶6. Teachers Pledge to Strike... At their 28th national congress over the weekend, Zimbabwe's largest and mainstream teachers' union, ZIMTA, pledged that given no progress in their remuneration they would not return to work for the opening of the second school term on May 5. Civil servants, including teachers, continue to be paid a monthly US\$100 allowance, which ZIMTA states is insufficient for teachers even to pay their own children's school fees. Minister of Education David Coltart responded with a vague statement that he was working on a package for them, but he has not announced any specifics or confirmation of funding to make a raise a reality. Whether government schools will open next week remains anyone's guess.

¶7. The Herald Attacks Eddie Cross... After publishing a letter by MDC-T MP Eddie Cross critical of its coverage of the U.S. and UK ambassadors, The Herald began what a senior editor told us would be a series of attack articles on the MP. Today's vitriolic piece leads with "Cross: Bitter and irrelevant." Cross had criticized a vicious attack by The Herald on Ambassadors McGee and Pocock in last week's paper. The Herald, surprisingly, published Cross' letter, which accused the newspaper of a lack of professionalism and flagrant violation of provisions of the Global Political Agreement. "When we are through with Cross, he will really be cross," the senior editor told us.

¶8. U.S. Volunteer Surgical Team Arrives... The U.S.-based volunteer medical team, Operation of Hope, arrived in Harare this week to provide another round of free surgical services to correct cleft and lip palate deformities. The group will conduct operations until May 16 at Harare's private St. Anne's Hospital. This is the team's fifth visit to Zimbabwe. The group last visited in October 2008, when it was forced to relocate to St. Anne's from Harare Hospital Children's Ward due to inadequate facilities at the government institution.

¶9. HIFA Enlightens Harare Again... The 10th anniversary edition of the Harare International Festival of the Arts (HIFA) opened this week under the theme "Enligh10ment." The six-day festival features

hundreds of shows by dozens of artists from all over the world. Once again, the festival is providing a platform for discussion of contentious issues, as well as entertainment. For example, the opening show directly attacked the political violence plaguing Zimbabwe, including displaying the names of every person killed since March 2008. Other shows tackle abuse of Zimbabwean migrants in South Africa and land reform. The U.S. Embassy is represented by the Rhythm Road tour of jazz quartet, Helen Sung & NuGenerations.

On the Economic and Business Front

¶10. Dutch Farmers Win Legal Battle over Farm Seizures... Following a six-year battle between 13 Dutch farmers and the GOZ, the International Center for the Settlement of Investment Disputes (ICSID) sitting in Paris ruled in the farmers' favor. In its decision of April 22, the Center ruled that the GOZ broke a bilateral investment agreement with The Netherlands by seizing the farms without providing just compensation. The ICSID awarded the farmers more than 14 million pounds sterling (about US\$21 million which includes interest) in compensation. Whether the ruling could lead to the seizure of GOZ assets overseas is not yet clear.

¶11. Sugar Crop Falls Further; no Exports to U.S.... Zimbabwe Sugar Sales informed us that it would not supply its raw sugar under favorable tariff-rate quotas (TRQ) to the U.S. for the 2008/09 period due to the shrinking crop size. The crop will fall to 286,000 MT this year, according to the sugar company, almost 6%

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below last year's production. The decline is due to the overall state of the economy, price controls on sugar in the local market, unavailability of inputs, electric power shedding, and rail and road transport bottlenecks. Zimbabwe earned US\$16.7 million in sugar exports to the U.S. in 2006 and US\$5.8 million in 2007, according to the U.S. Department of Commerce's TradeStatsExpress.

¶12. Food Prices Continue To Fall... An independent survey showed that food prices fell by 2.4% in April.

¶13. Dollarization Sees Return Of Credit Facilities... The improvement in the retail business environment ushered in by dollarization has also brought about the return of credit facilities which had been suspended in 2007 following the introduction of price controls and hyperinflation. Most leading retailers are now offering credit facilities with generous terms like a 25% deposit, interest free, and three months to pay.

¶14. Enthusiastic Response to Counterfeit Detection Training... The United States Secret Service (USSS) Attach and Special Investigator from Embassy Pretoria provided training this week in Harare to members of the American Business Association of Zimbabwe and the Bankers Association of Zimbabwe on the security features of valid U.S. denominations. Due to overwhelming interest and the recent legalization of the use of the USD, the USSS team intends to return to conduct additional sessions. Training the business community and maintaining relationships is essential for Post to track the prevalence of counterfeit U.S. currency, as the police do not report counterfeit currency usage to the Embassy.

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